Impact Of Merging Of Bank On Customer Services :An Empirical Study

(With Special Reference to Merger Of ICICI & Bank of Rajasthan)

Synopsis

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4.1 INTRODUCTION

The first banks were probably the religious temples and were probably established B.C. Deposits initially consisted of grain and later other goods including cattle, agricultural implements, and eventually precious metals such as gold, in the form of easy-to-carry compressed plates. Temples and palaces were the safest places to store gold as they were constantly attended and well built. As sacred places, temples presented an extra deterrent to would-be thieves. There are records of loans from the 18th century BC in Babylon that were made by temple priests/monks to merchants.

Modern banking has its auspicious beginnings in the early to mid Middle Ages. Primitive banking transactions existed before, but until the economic revival of the thirteenth century they were limited in scope and occurrence.

After the collapse of the Roman Empire in the late fifth century, there followed centuries of deep economic depression, sharp deflation of prices and sluggish monetary circulation. By the end of the thirteenth century, with its economic resurgence, three classes of credit agents became distinguishable: the pawnbroker, the moneychangers and deposit bankers, and the merchant bankers. The latter were the new elite of the profession, unprecedented in antiquity and in the early Middle Ages.

The use of paper money as a circulating medium is intimately related to shortages of metal for coins. In ancient China coins were circular with a rectangular hole in the middle. Several coins could be strung together on a rope. Merchants in China, if they became rich enough, found that their strings of coins were too heavy to carry around easily. To solve this problem, coins were often left with a trustworthy

person, and the merchant was given a slip of paper recording how much money he had with that person. If he showed the paper to that person he could regain his money. Eventually, the paper money called "jiaozi" originated from these promissory notes.

Oldest private bank in organized set up was established in 1472 in Italy and oldest nationalised bank is Bank of Sweden established in 1668.

The economic development of our country depends more on real factors like the industrial development, modernization of agriculture, organization of internal trade and expansion of foreign trade, especially exports, and less on the monetary factors contributed by banking— Economic planning like laying down of specific targets and allocating particular sums of money that constitute the economic policy of the government also plays a significant role. Still we cannot under-estimate the importance of banking and the monetary mechanism.

One of the most important problems of a developing economy is that of capital formation. There is a good deal of difference between hoarding and saving and the people in the countryside have to be made to realize the difference. This can be easily done by banks. They can undertake to educate the rural populace and thus mobilize their savings. A number of leading economists have confirmed the fact that the amount of capital available in India for investment is surprisingly and inexplicably large. Only we need exploiting this idle capital. Who else can exploit it, if not banks? Both in rural and urban areas, huge amounts of money are wasted on celebrations like marriages and births. If banks can offer hand-some interest on savings, people can be induced to direct their savings from wasteful activities to banks. Promoting attractive deposit schemes needs some very active work on the part of the banks, but it can certainly mobilize a large amount of saving for capital formation.

The Government of India has now undertaken a large number of projects for the economic reconstruction of the country. Banks can generate an adequate volume of credit and conduct it along useful productive channels. They can distinguish between the essential and non-essential factors of the economy between productive and non-productive investment, between speculative and non-speculative borrowing and thus help in the growth of the economy.

Two other acute problems faced by our low and middle income groups are the housing problem and gnawing unemployment problem. If the banks undertake to help these groups, they will also be making a significant contribution to our economy. It will also help in removing the economic imbalance of the various sections of our society.

Before nationalization, our banks could not play this constructive role expected of them. But after nationalization, the entire banking machinery has now been geared to the economic development of the country. They have started looking after the needs of the small farmer and the new entrepreneur. It is earnestly hoped that the Government will take some more positive steps to ensure that the real benefits of an organized banking system percolate down to the poor illiterate masses of India.

The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases. They are as mentioned below:

Early phase from 1786 to 1969 of Indian Banks

Nationalisation of Indian Banks and up to 1991 prior to Indian banking sector Reforms.New phase of Indian Banking System with the advent of Indian Financial & Banking Sector Reforms after 1991.

To make this write-up more explanatory, Researcher prefix the scenario as Phase I, Phase II and Phase III.

Phase I

In 1865 Allahabad Bank was established and first time exclusively by Indians, Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935.

During the first phase the growth was very slow and banks also experienced periodic failures between 1913 and 1948. There were approximately 1100 banks, mostly small. To streamline the functioning and activities of commercial banks, the Government of India came up with The Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No. 23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in India as the Central Banking Authority.

Phase II

Seven banks forming subsidiary of State Bank of India was nationalised in 1960 on 19th July, 1969, major process of nationalisation was carried out. It was the effort of the Prime Minister of India, Mrs. Indira Gandhi. 14 major commercial banks in the country was nationalised.

Second phase of nationalisation Indian Banking Sector Reform was carried out in 1980 with seven more banks. This step brought 80% of the banking segment in India under Government ownership.

The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

1949 : Enactment of Banking Regulation Act.

1955 : Nationalisation of State Bank of India.

1959 : Nationalisation of SBI subsidiaries.

1961 : Insurance cover extended to deposits.

1969 : Nationalisation of 14 major banks.

1971 : Creation of credit guarantee corporation.

1975 : Creation of regional rural banks.

1980 : Nationalisation of seven banks with deposits over 200 crore.

After the nationalisation of banks, the branches of the public sector bank India rose to approximately 800% in deposits and advances took a huge jump by 11,000%. Banking in the sunshine of Government ownership gave the public implicit faith and immense confidence about the sustainability of these institutions.

Phase III

This phase has introduced many more products and facilities in the banking sector in its reforms measure. In 1991, under the chairmanship of M Narasimham, a committee was set up by his name which worked for the liberalisation of banking practices.

The country is flooded with foreign banks and their ATM stations. Efforts are being put to give a satisfactory service to customers. Phone banking and net banking is introduced. The entire system became more convenient and swift. Time is given more importance than money.

Role of Banks in Economic Development

Banks play a very significant role in the economic development of a country. Banks have control over a major part of the supply of money in circulation. In this way, they can influence the nature and character of production in the country. In fact, banks are the main stay of the economic development of a country.

Economic Development through Banking System

The contribution of the banking sector in the process of economic development can be summarized as under:

1. Banks help in Capital Formation:
2. Banks are the Creator of Money:
3. Banks act as a link between the organized and unorganized sectors:
4. Banks help in the effective implementation of monetary policy:
5. Banks help in the development of agriculture and industries:
6. Banks act as catalyst in social change:
7. Banks help in the development of entrepreneurship:
8. Banks regulate the flow of national savings:
9. Banks help in mitigating the effects of trade cycles:
10. Banks help in maintaining the positive balance of trade:

The ratio of bank assets to GDP at market prices is quite favourable in India as compared to those of developing countries in Asia and Latin America. The nationalization of the banks bestowed upon them variety of new obligations in the area of social banking. The major achievements of the nationalized banks are in the sphere of branch, expansion deposit mobilization and expansion of credit to heather to neglect sectors which are important for the national economy in terms of their contribution to the growth, employment generation and broadening the base of income distribution. After the nationalization of banks, the major concern was the productivity and profitability of public sector banks. It was believed that the new direction given to the banks since their nationalization in 1969, and the slacking productivity, has led to declining trends in the profits and profitability. It is even held that unless the present trend is reversed, the financial viability of our banking system may be undermined. It was confirmed by the Narasimham Report in 1991, which stated the bank' profitability has been under severe stress.

But the banking system must be on a sound footing not only to instill public confidence but also to make banks capable of discharging their social responsibility. A number of factors like the entry of the overseas financial intermediaries into domestic financial markets necessitated some kinds of charges. Banking sector being the heart line of the financial market, their upgradation and financial strength is more vital for an efficient financial system. With these views, RBI and Government had initiated the process of banks reforms by setting up Narasimham Committee 1 in 1991. Thus the bank reforms heralded the beginning of implementing prudential norms consisting of capital adequacy ratio, asset classification, income recognition, and provisioning. Broadly, banking sector reforms have been concerned with improving

1. the policy framework,2. the financial health, and 3. the institutional infrastructure.

In the Indian context, banking is really the mirror of economic growth of the country. Before liberalization, the Indian banking structure was largely controlled and parameters like branch size and location were given paramount importance. The Indian banking industry has come from a long way from being a sleepy business institution to a highly proactive and dynamic entity. Now, the Indian banking industry is going through a period of intense change, where global trends are affecting the banking business increasing competition, liberalization, rising customer expectations, shrinking spreads, increasing disintermediation, competitive pricing and possibilities macro-volatility. This transformation has been largely brought about by the large dose of liberalization and economic reforms. Banks reports and worry about non-performing assets and are visibly grappling with an increasingly competitive environment. The importance of primary capital markets in the mid-1990, threatened banks with disintermediation and the rise of non-banking finance companies

threaten them in the business of deposit mobilization itself. The focus of public attention has mostly been on the banking sector's ability to meet these challenges. New entrants are able to take advantage of the benefits of latest technology and adopt business models to leapfrog ahead. Increasing inroads from non-traditional players are being witnessed. The intense competitive retail environment forcing banks to increasing become customer-centric. Banks are embracing technology to improve customer service; design flexible and customized products increase sales opportunities and differentiate themselves in a market where product features are easily cloned. Indian banking system is quite matured today. Needless to say future is going to full of challenges. Therefore, it is required to convert the challenge of change into exciting opportunity. Now, new horizons are sought and new challenges encountered. Banking is a service-oriented business requiring high levels of professional and personal skills and national boundaries are no longer relevant in mobilization and allocation of capital. The public sector banks largely dominate the Indian banking industry. These banks till the early-1990s were involved in the traditional banking business of deposits and credit - lending. They performed a sportive role in the overall growth of the economy.

The root cause for the lackluster performance of banks formed the elements of the banking sector reforms. The need for the restructuring the bank industry was felt greater with the initiation of the real sector reforms process in 1992. It is because to harness the benefits of globalization. There should be an efficient financial sector to support the structural reforms take place in the real economy. The foundation of the banking sector reforms was laid down by M. Narasimham Committee on financial sector reforms. Causal factors for dismissal performance were addressed.

To bring about a paradigm shift in the banking sector, the financial sector reforms were initiated.

Implications of the Reforms for the Banking Sector

1) Entry barriers were lowered.

2) Interest rates were deregulated.

3) Regulation w.r.t. Branch licensing, credit control, approach to capital market were lowered.

4) The prudential norms were introduced w.r.t. income recognition, asset classification, and provision, capital adequacy to strengthen the bank's balance and enhance the transparency.

To strengthen the banking system in general and public sector banks in particularly, the institution building measures taken are

1. Recapitalization,
2. Improving the quality of the loan portfolio,.
3. Instilling a greater element of competition, and
4. Strengthening the supervisory process.

The Indian Banking Industry is full of competition, due to liberalization. The players are competing like never before. Yesterdays stars are no longer stars, new stars are emerging on the scene.

Now banks have performed better than others to keep ahead in race. So there has arisen a need to improve the performance level lest the banks are likely to be left far behind. It is imperative to know the terms which have been used widely in the study. These are:

Liberalization

Liberalisation involves freeing prizes, trade and entry from state controls. In fact, as a result of liberalization, now there is a pressure on profits and portability of public sector banks. It can lead to speculation and create problems of systematic failures. In fact, liberalization and deregulation encompasses the following:

1. Interest rate and other price deregulation measures.

2. Removal of direct credit controls and mandatory investment regulations.

3. Measures design to promote entry of new competitors.

4. Supportive merger and ownership policy.

5. Prudential regulation and reliance on indirect tools for controls, and

6. Transparency.

Productivity

Productivity is a vital indicator of economic performance. In simple words, it is output-input ratio. It is a relationship between given output and the means used to produce it. Banking is primarily a service industry. There are number of indicators to measure the productivity of banking sector. There are number of ratios of compute productivity as:

Per Employee Indicators (Labour Productivity):

(1) Deposit per employee

(2) Advance per employee

(3) Business per employee

(4) Total expenditure per employee

(5) Total income per employee

(6) Spread per employee

(7) Net profit per employee

(8) Burden per employee

Per Branch Indicators (Branch Productivity):

(1) Deposits per branch (2) Advance per branch

(3) Business per branch (4) Total income per branch

(5) Total expenditure per branch (6) Burden per branch

(7) Net profit per branch (8) Spread per branch

Profitability

Profitability is a rate expressing profit as a percentage of total assets or sales or any other variable to represent the relationship. A large number of ratios can be used in order to measure the bank's profitability as:

1. Interest Income to Working Funds Ratio
2. Interest Expended to Working Funds Ratio
3. Spread to Working Funds Ratio
4. Non-Interest Income to Working Funds Ratio
5. Non-Interest Expenditure to Working Funds Ratio
6. Burden to Working Funds Ratio
7. Net Profit to Working Funds Ratio
8. Interest Income to Total Income Ratio
9. Interest Expended to Total Expenditure Ratio
10. Staff Expenditure to Operating Expenditure Ratio.

New Strategies For Changing Environment

The history of Indian Banking shows that seeds of banking in India were sown back in the 18th century when efforts were made to establish the General Bank of India and Bank of Hindustan in 1786 and 1790 respectively. Later some more banks like Bank of Bengal, Bank of Bombay and the Bank of Madras were established under the charter of British East India Company. These three banks were merged in 1921 and it formed the Imperial Bank of India, which later became the State Bank of India. The period between 1906 and 1911 witnessed the establishment of banks such as Bank of India, Bank of Baroda, Canara.Bank, Corporation Bank, Indian Bank and Central Bank of India; these banks have survived to the present. The banking sector in India can be divided into two era i.e. pre-liberalization era and post liberalization era since 1991. In the pre-liberalization era, the Government of India nationalized the 14 largest commercial banks in 1969. A second dose of

nationalization of six more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. Later, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was only the merger between nationalized banks and resulted in the reduction of the number of nationalized banks from 20 to 19.

The banking sector has seen a tremendous amount of change in the post liberalization era i.e. in the early 1991; the then Narasimha Rao government embarked the policy of liberalization. Licences were given to small number of private banks like Global Trust Bank, which later amalgamated with Oriental Bank of Commerce, Axis Bank (earlier UTI Bank), ICICI Bank and HDFC Bank. This move had augmented the growth in Indian Banking. Along with the rapid growth in the economy of India, followed by the growth with strong contribution from all the three sectors of banks, *viz.* government banks, private banks and foreign banks.

The impact of globalization on Indian Banking has caused many changes in terms of regulations and structural. With the changing environment, many different strategies have been adopted by this sector to remain efficient and to surge at the forefront in the global arena. One such strategy is in the course of consolidation is merger and acquisition.

Mergers :

Economic liberalization in India during the 1990s brought out significant structural change and transformation, especially within the business society. In the wake of economic reforms, Indian industries have started restructuring their operations around their core business activities through merger, acquisition, and takeovers because of their increasing exposure to competition both domestically and internationally. M&A is slowly emerging as one of the most effective long-term business strategy

of corporate India (Pramond Mantravadi & Vidyadhar reddy 2007). Business enterprises today have realized the need to grow (Magnitude) and expand in businesses that they understand well (Competence) to face the growing competition. **Mergers** have been taken up as a restructuring exercise to sell off non-core business and to consolidate their stronger presence in their core areas of business interest.

According to Accounting Standard (AS), 'Accounting for Amalgamations', issued by the Council of the Institute of Chartered Accountants of India, amalgamations fall into two broad categories. In the first category are those amalgamations where there is a genuine pooling not only of the assets and of liabilities of the amalgamating companies but also of the shareholders' interests and of the businesses of these companies. Such amalgamations are in the nature of 'merger' and the accounting treatment of such amalgamations should ensure that the resultant figures of assets, liabilities, capital and reserves more or less represent the sum of the relevant figures of the amalgamating companies. In the second category, those amalgamations which are in effect a mode by which one company acquires another company and, as a consequence, the shareholders of the company which is acquired normally do not continue to have a proportionate share in the equity of the combined company, or the business of the company which is acquired is not intended to be continued. Such amalgamations are amalgamations in the nature of 'purchase.

NEED OF MERGERS IN BANKING INDUSTRY OF INDIA

It is observed in literature that most of the work done on mergers and acquisition is based on financial & accounting aspect like performance of banking institutions based on. Devos, Kadapakkam & Krishnamurthy (2008) studied M&A as value creation, efficiency improvements as explanations for synergies and produced evidence that

suggests mergers generate gains by improving resource allocation rather than by reducing tax payments of increasing the market power of the combined firm. DeLong (2003) studied sample of 54 bank mergers announced between 1991 and 1995, tests several facets of focus and diversification. The study found that upon announcement, the market rewards the merger of partners that focus their geography and activities and earning stream. Only of these facets, focusing earning streams enhances long-term performance.

There are few efforts have been made to measure the impact of bank's M&A on their employees and staff. It appears that an important factor affecting the successful outcome of acquisitions is top management's ability to gain employee trust. Panwar (2011) studied ongoing merger trends in Indian banking from the viewpoint of two important stakeholders of a banking firm- stockholders and managers. The findings shows that the trend of consolidation in Indian banking industry has so far been limited mainly to restructuring of weak banks and harmonization of banks and financial institutions. Indian financial system requires very large banks to absorb various risks emanating from operating in domestic and global environments.

Mergers: Conceptual Framework

According to the Oxford Dictionary the expression merger or amalgamation means "Combining of two commercial companies into one" and "Merging of two or more business concerns into one" respectively. A merger is just one type of acquisition. One company can acquire another in several other ways including purchasing some or all of the company's assets or buying up its outstanding share of stock. To end up the word "MERGER" may be taken as an abbreviation which means:

M :-Mixing

E :-Entities

R :-Recourses for

G :-Growth

E :-Enrichment and

R :-Renovation.

On the contrary, a majority of M&As fall short of their stated aims and objectives. Some failure can be explained and justified by financial and market factors. On the contrary a considerable number can be traced, which has neglected those factors, which are related to human resources issues and activities. There are numerous studies, which confirm the need for firms to systematically address a variety of human resource issues, activities, and challenges in their merger and acquisition activities.

Merger is a process of combining two business entities under the common ownership. **Bank merger** is an event when previously distinct banks are consolidated into one institution (Pilloff and Santomerro, 1999). A merger occurs when an independent bank loses its charter and becomes a part of an existing bank with one headquarter and a unified branch network (Dario Farcarelli 2002). Mergers occurs by adding the active (bidder) banks assets and liabilities to the target (Passive) bank's balance sheet and acquiring the bidder 's bank name through a series of legal and administrative measures

MERGERS OF BANKS IN INDIA

Mergers in Indian banking sector have initiated through the recommendations of Narasimham committee II. The committee recommended that merger between strong banks/ financial institutions would make for greater economic and commercial sense and would be **a case where the whole is greater than the sum of its parts and have a "force multiplier effect".** (Narasimham committee II, chapter, para 5.13 -5.15). **Table below** provides a list of banks that have been merged in India since post-liberalization in the country.

List Of Banks That Have Been Merged In India Since Post-Liberalization In The Country

S. No	Merger Bank	Merged Bank	Year
1	**Bank of Karad Ltd.**	**Bank of India**	1993-1994
2	**Kashinath Seth Bank***	**State Bank of India**	**1995-1996**
3	**Punjab Co-op. Bank Ltd.**	**Oriental Bank of Commerce**	**1996-1997**
4	**Bari Doab Bank Ltd.**	**Oriental Bank of Commerce**	**1996-1997**
5	**Bareilly Corp. Bank Ltd.**	**Bank of Baroda**	**3/6/1999**
6	**Sikkim Bank Ltd.**	**Union Bank of India**	**22-12-1999**
7	**Times Bank Ltd.**	**HDFC Bank Ltd. Standard**	**26-02-2000**
8	**Anz Grindlays Bank**	Chartered	**27/04/2000**
9	**Bank of Madura**	**ICICI Bank**	**Mar. 2001**
10	**ICICI & Its Retail Finance Subsidiaries**	**ICICI Bank Ltd**	**January, 2002**
11	**Benaras State Bank Ltd.**	**Bank of Baroda**	**20-07-2002**
12	**Nedungadi Bank Ltd.**	**Punjab National Bank**	**1/2/2003**
13	**South Gujarat Local Area Bank Ltd**	**Bank Of Baroda**	**25.06.2004**
14	**Global Trust Bank Ltd.**	**Oriental Bank of Commerce**	**24-07-2004**
15	**Centurian Bank**	**Bank of Punjab Ltd.**	**01.04.2005**
16	**United Western Bank Ltd.**	**IDBI ltd.**	**02.04.2005**
17	**The Ganesh Bank of Kurundward lLtd.**	**The Federal Bank Ltd.**	**02.09.2006.**
18	**Bharat Overseas**	**Indian overseas Bank**	**31.03.2007**
19	**The Sangli Bank Ltd**	**ICICI Bank**	**19.04.2007**
20	**Lord Krishna Bank Ltd.**	**Centurion Bank Of Punjab Ltd.**	**29.08.2007**

21	**Bank Of Punjab Limited**	**Centurion Bank Of Punjab Ltd**	**19.04.2007**
22	**Centurion Bank Of Punjab Ltd**	**HDFC Bank Limited**	**23.05.2008**
23	**The Bank Of Rajasthan Ltd**	**ICICI Bank Ltd**	**13.08.2010**

4.2 SIGNIFICANCE OF THE STUDY

The Banking Sector of India is itself a unique one and perhaps unparallel in the banking history of any country in the world which has been very obvious in context with recent 'Global Financial Crisis'. It is only the strong banking system of India which minimized the effect of global meltdown and efficiently facing its various counter effects. So, it is interesting to study the evolution of Indian Banking over the last six decades after independence, in terms of organization, functions, resource mobilization, socio-economic roles, problems and solutions.

Banking sector can be easily said as "back bone" of any economy, as it provides liquidity / finance to the market, which subsequently triggers the growth of the country, at large. After each reform, Indian Banking sector registered a significant progress. Encouraged with good results of previous reforms, Govt. of India is now going to allow foreign banks to be functional at par with Indian banks. This also focuses to find where these new reforms will put Indian banking in terms of competition, market share, marketing strategies, mergers and acquisitions etc.

The reform and repositioning are co-related upto some extent, as the former leads to the repositioning exercise within the organization. In fact, reform is the external factor whereas repositioning is the internal factor for the Banks. Since, banks are having no control over reform processes initiated by the Government so, only option they are having, to reposition themselves as per their requirement.

Customer Perception

Suresh chandar, Rajendran, & Anantharaman (2002) have used factor analysis approach to determine customer-perceived service quality in banking industry. They have brought to light some of the critical determinants of service quality that have been overlooked in the literature & proposed a comprehensive model & an instrument framework for measuring customer perceived service quality. Hossain & Leo (2009) conducted an analytical study to measure customer perception on service quality in retail banking in Qatar and covered 18 parameters with sample size of 120, chosen on a convenient basis from 4 banks. They have used five-point Likert scale to conclude the results that customer's perception is hightest in the tangibles area and lowest in the competence area

In this context, India has pursued a relatively more 'gradualist' approach to liberalization in the financial sector especially in the Banking. It must be said to the credit of our banking system that these changes due to reforms were absorbed and the system has emerged even much stronger for this reason. In recent past, few major repositioning exercises have been accomplished by many banks. These repositioning created a storm in the marketing space. The report covers the changes in the bank's marketing strategies and adopted path of repositioning.

4.3 Research Problem

In this research, the problem defined is to analyze the changing perception of customers towards Bank products and services after merging the Banks. The Problem is :-

IMPACT OF MERGING OF BANKS ON CUSTOMER SERVICES:AN EMPIRICAL STUDY(With Special Reference to Merger Of ICICI & Bank of Rajasthan)

4.4 Objectives

This study has been undertaken by keeping the following major objectives into consideration:-

I. To understand the various reasons for Merging in Banking Sector
II. To have better understanding about the processes of Merger.
III. To analysis the impact of pre & post Merger on Consumers.
IV. To understand need of repositioning by banks.
V. To study the outcome of this re-positioning process.
VI. To study the impact of technological changes among bank employees with respect to merger.

5.0 Review of literature

Literature review regarding concept, importance, necessity and impact of merger (With Special Reference to Merger Of ICICI & Bank of Rajasthan) and repositioning has been done from books, journals, magazines, internet resources, government gazettes, workshop/seminar notes etc.

Li, Tianqi.(2016) presented in his paper," A study on the impact of mergers & acquisitions on shareholders' wealth and efficiency". As nowadays mergers & acquisitions are becoming more and more prevalent, this paper concerns the impact of mergers & acquisition on shareholders' wealth and efficiency. Choosing mergers & acquisitions events in bank industry, we apply literature analysis to see what previous scholars have found and CAPM model to calculate their CAR, which reflects the change of shareholders' values (positive CAR means shareholders gain positive returns from mergers & acquisitions and vice versa). And finally, we find that bank mergers and acquisitions do create shareholder wealth for the target bank acquired and that in many cases the acquiring firm's shareholders tend to lose out because their ownership in the newly formed bank is severely diluted and the same is with the efficiency. What's more, when we take the financial crisis into

consideration, mergers are seen to be a safe haven. Besides that, senior management must be skilled at corporate restructuring within the newly merged banks for merged banks to survive post-merger activity.

Chellasamy and Ponsabariraj (2014) studied on topic, "A pre-post comparative analysis of the profitability and liquidity positions of Indian commercial banks" they showed no improvement in the post-merger period compared to the pre-merger one.

Daddikar and Shaikh (2014) carried out a pre-post comparative analysis of the financial performance of Jet Airways. They concluded that there was no enhancement in the ROE, net profit margin, and interest coverage in the post M&A period.

Rangan, S. Kasturi. (2013) studied on topic, "Evaluation Of Merger Of Hdfc Bank and Centurion Bank Of Punjab EVA Analysis" and found that The liberalization of the Indian business has witnessed several business entities increasing their size through expansion, diversification and merger and acquisitions. The expectation of this exercise is that the large entity will bring in improved efficiency and profitability. The banking industry in India also has witnessed a few mergers like the Times Bank merging with HDFC bank, Bank of Madura with ICICI Bank etc. Since the merger is done with a view to improve the business performance metrics, it is imperative to evaluate whether the merger of the entities has created value to the shareholders. Hence this study of the merger of Centurion Bank of Punjab with HDFC bank.

Kazushi Kan and Tara Ohno(2012) have studied the merger of banks using EVA. They researched the individual banks and the banking industry in Japan. They concluded that “the banking sector has not earned as much profit as expected by their shareholders up to this point. Also, although many major banks implemented mergers around the year 2000, not all the mergers have achieved successful result so far from the

perspectives of EVA improvement. Based also on the result of empirical analysis, one of the important factors which contributed to the positive impact of merger is increase in loan market share, and it was proven that the higher loan market share the bank has acquired after the merger, the higher EVA it has achieved".

Sinha Pankaj & Gupta Sushant (2011) studied a pre and post analysis of firms and concluded that it had positive effect as their profitability, in most of the cases deteriorated liquidity. After the period of few years of Merger and Acquisitions(M&As) it came to the point that companies may have been able to leverage the synergies arising out of the merger and Acquisition that have not been able to manage their liquidity. Study showed the comparison of pre and post analysis of the firms. It also indicated the positive effects on the basis of some financial parameter like Earnings before Interest and Tax (EBIT), Return on share holder funds, Profit margin, Interest Coverage, Current Ratio and Cost Efficiency etc.

Goyal K.A. & Joshi Vijay (2011) in their paper, gave an overview on Indian banking industry and highlighted the changes occurred in the banking sector after post liberalization and defined the Merger and Acquisitions as per AS-14. The need of Merger and Acquisition in India has been examined under this study. It also gave the idea of changes that occurred after M&As in the banking sector in terms of financial, human resource & legal aspects. It also described the benefits come out through M&As and examined that M&As is a strategic tools for expanding their horizon and companies like the ICICI Bank has used merger as their expansion strategy in rural market to improve customers base and market share. The sample of 17 Merger of post liberalization and discussed about communication in M&As, the study lightened the role of media in M&As.

Kuriakose Sony & Gireesh Kumar G. S (2010) in their paper, they assessed the strategic and financial similarities of merged Banks, and relevant financial variables of respective Banks were considered to assess their relatedness. The result of the study found that only private sector banks are in favor of the voluntary merger wave in the Indian Banking Sector and public sector Bank are reluctant toward their type of restructuring. Target Banks are more leverage (dissimilarity) than bidder Banks, so the merger lead to attain optimum capital Structure for the bidders and asset quality of target firms is very poor except the cases of the HDFC Vs the CBOP merger in 2007. The factor behind voluntary amalgamation are synergies, efficiency, cost saving,economies of scale. The merging partners strategically similarities and relatedness are very important in the synergy creation because the relatedness of the strategic variable have a significant impact on the Bank performance and the effect of merger on the stock market.

Aharon David Y et al., (2010), analyzed the stock market bubble effect on Merger and Acquisitions and followed by the reduction of pre bubble and subsequent, the bursting of bubble seems to have led to further consciousness by the investors and provide evidence which suggests that during the euphoric bubble period investor take more risk. Merger of banks through consolidation is the significant force of change took place in the Indian Banking sector**.**

Kuriakose Sony et al., (2009), focused on the valuation practices and adequacy of swap ratio fixed in voluntary amalgamation in the Indian Banking Sector and used swap ratio for valuation of banks, but in most of the cases the final swap ratio is not justified to their financials.

Schiereck Dirk et al., (2009), explained the relationship between bank reputation after Merger and Acquisitions and its effects on shareholder's wealth. This study considered 285 European merger and Acquisition

transaction announced between 1997 and 2002 and finds that on average wealth not significantly effect by Merger and cquisitions. **Bhaskar A Uday et al., (2009)** found that Banking sector witness of Merger activities in India when banks facing the problem of loosing old customer and failed to attract the new customers. It described that the acquiring firms mainly focuses on the economies of scale, efficiency gain and address the need of communication and employee concern, and described the integration process was handled by professional and joint integration committee. Road map is prepared is done as per schedule and they took a case of the **Bank of Punjab acquired the Lord Krishna Bank and later on the Centurion Bank of Punjab acquired by the HDFC Bank and gave the frame of integration**.

R. Srivassan et al., (2009) gave the views on financial implications and problem occurring in Merger and Acquisitions (M&As) highlighted the cases for consolidation and discussed the synergy based merger which emphasized that merger is for making large size of the firm but no guarantee to maximize profitability on a sustained business and there is always the risk of improving performance after merger.

Anand Manoj & Singh Jagandeep (2008) studied the impact of merger announcements of five banks in the Indian Banking Sector on the share holder bank. These mergers were the Times Bank merged with the HDFC Bank, the Bank of Madurai with the ICICI Bank, the ICICI Ltd with the ICICI Bank, the Global Trust Bank merged with the Oriental Bank of commerce and the Bank of Punjab merged with the centurion Bank. The announcement of merger of Bank had positive and significant impact on share holder's wealth. The effect on both the acquiring and the target banks, the result showed that the agreement with the European and the US Banks Merger and Acquisitions except for the facts the value of share holder of bidder Banks have been destroyed in the US context, the

market value of weighted Capital Adequacy Ratio of the combined Bank portfolio as a result of merger announcement is 4.29% in a three day period (-1,1) window and 9.71 % in a Eleven days period (-5, 5) event window. The event study used for proving the positive impact of merger on the bidder Banks**.**

Lehto Eero & Bockerman Petri (2008) evaluated the employment effects of Merger and Acquisitions on target by using match establishment level data from Finland over the period of 1989-2003. They focused cross border Merger and Acquisitions as well as domestic Merger and Acquisitions and analyzed the effect of employment of several different types of Merger and Acquisitions. They evaluated that the cross border Merger and Acquisitions lead to downsizing the manufacturing employment and the effects of cross border Merger and Acquisitions on employment in non- manufacturing are much weaker and change in ownership associated with domestic Merger and Acquisitions and internally restructuring also typically causes employment losses. To look the effects of cross border Merger and Acquisitions (M&As)

Hijzen Alexander et al., (2008) studied the impact of cross border Merger and Acquisitions (M&As) and analyzed the role of trade cost, and explained the increased in the number of cross border Merger and Acquisitions (M&As) and used industry data of 23 countries over a period of 1990 -2001. The result suggested that aggregate trade cost affects cross border merger activity negatively, its impact differ importantly across horizontal and non-horizontal mergers. They also indicated that the less negative effects on horizontal merger, which is consistent with the tariff jumping agreement, put forward in literature on the determinant of horizontal FDI.

Mantravadi Pramod & Reddy A Vidyadhar (2007) evaluated that the impact of merger on the operating performance of acquiring firms in

different industries by using pre and post financial ratio to examine the effect of merger on firms. They selected all mergers involved in public limited and traded companies in India between 1991 and 2003, result suggested that there were little variation in terms of impact as operating performance after mergers. In different industries in India particularly banking and finance industry had a slightly positive impact of profitability on pharmaceutical, textiles and electrical equipments sector and showed the marginal negative impact on operative performance. Some of the industries had a significant decline both in terms of profitability and return on investment and assets after merger. Coming down on the various motives for Merger and Acquisitions.

Mehta Jay & Kakani Ram Kumar (2006) stated that there were multiple reasons for Merger and Acquisitions in the Indian Banking Sector and still contains to capture the interest of a research and it simply because of after the strict control regulations had led to a wave of merger and Acquisitions in the Banking industry and states many reason for merger in the Indian Banking sector. While a fragmented Indian banking structure may be very well beneficial to the customer because of competition in banks, but at the same time not to the level of global Banking Industry, and concluded that merger and Acquisition is an imperative for the state to create few large Banks.

Müslümov Alovsat (2002) examined that synergy is one of the main factor behind the merger and took 56 mergers from US industry, and the cash flows improvement in the productive usage of assets and increasing the sales and showed the surviving firm improvement in operating cash flows. The post merger create additional value and shows the improvement of bidder firm with price to book ratio, used non-parametric test as most suitable method of testing post merger performance.

6.0 Research Gap:

Since merging in Banking sector is still going on. The reasons and processes for reform and repositioning and their impact on performance of banking sector, more particularly in Public sector Banks is yet to be analyzed. Moreover repositioning exercise in public sector banks in India is not commensurate to merge in India as well as to global scenario.

Marketing Intelligence setup has not yet established in Public Sector Banks, This setup is needed, looking to fast changing financial scenario across the country/world. This set up will sense even the minute merge processes and its probable impact on a particular Bank and also suggest the measures to counter adverse effects, if any, timely as well more effectively. So the researcher select this topic, Impact of Merging Of Banks On Customer Services: An empirical Study(With Special Reference To Merger Of ICICI & Bank Of Rajasthan).

7.0 MAJOR HYPOTHESES OF THE STUDY:

On the basis of objectives defined, following major hypotheses are being formed:

1a. **Ho:** There is no difference between impact of pre & post Merger on Consumers.

1b. **Ha:** There is significant difference between impact of pre & post Merger on Consumers.

2a. **Ho:** There is no significant affect of effectiveness factors over the employee performance.

2b. **Ha:** There is significant affect of effectiveness factors over the employee performance.

3a. **Ho:** The technological changes do not affect employee effectiveness after merger.

3b. **Ha**: The technological changes significantly affect employee effectiveness after merger.

8.0 Research Methodology :

The research methodology of this study may be summarized as follows:

- Survey Method
- Instrument formation
- Data collection
- Data analysis

Data collection

Primary data are in the form of "raw material" to which statistical methods will be applied for the purpose of analysis and interpretations. The primary sources were observation, discussion with Customers, officers and employees, data's collected through questionnaire.

- **Primary data collection:**
  - Through observation
  - Survey through questionnaire (By- email, telephone, personal contact, post & courier services etc.)
- **Secondary data collection:**

Secondary data collection will be done from various sources of secondary data viz. Banking Journal, Economic Weekly, IBA Bulletin, Financial papers, banking and financial websites at internet etc.

Research Design:

Here the Research Design used would be analytical. Specific questionnaire would be designed so as to target the conclusion by covering customers, and officials of Banks.

Sampling

In Sampling Procedure simple random sampling technique is used. A Sample of consumer, bank officers and employees of the bank is proposed to be selected.

Sample Design

Sample Design is prepared so as to cover a population of Adults in the

Rajasthan state from the age of twenty to sixty including male & female.

Scope of the Study

The scope of the study will be examine the Impact On Customer Service(With Special Reference To Merger Of ICICI & Bank Of Rajasthan). The scope of the study will be examine the differences between pre & post Merger according to Consumers on the basis of Services provided by the banks and impact of technological changes among bank employees with respect to merger.

The scope of the study also will be limited to the selected variables, satisfaction of customers with merger, organizational commitment of officers and employees. Additionally, the data for this study were collected from various branches of banks situated in proposed smart city of Rajasthan and the sample was random. Therefore, it can be assumed that the results of this study will be generalizable to all customers and employees of all banks.

Statistical Technique:-

1. Presentation of data: - Diagrams, Charts and Table will be used to represent data in systematic manner.
2. Chi square test: - it is a non parametric test uses to for Hypothesis testing and have been used in research to know about or to read out the consumer behavior about a particular concept or programme.
3. Other technique if required for the study would be as follows:-
    - Mean
    - Standard Deviation
    - t- test
    - ANOVA
    - Correlation

Chapterisation

(i) Introduction

(ii) Banking Industry and Merger

(iii) General Profile of Sample Unit (ICICI & Bank Of Rajasthan)

(iv) Review of Litreture

(v) Plan and Procedure

(vi) Data Analysis

(vii) Findings & Conclusion

(viii) Bibliography

(ix) Annexure

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